Putting NPIs and the Third Sector on the Economic Map of the World

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THE CHALLENGE

- Considerable conceptual ambiguity
- Diverse types of entities
- Diverse legal treatment
- Varied cultural traditions
- Multiple terms and concepts
TERMINOLOGICAL CONFUSION

Nonprofit sector
Charitable sector
Social Economy
Third sector
Civil Society sector
Voluntary sector
NGO sector
Independent sector
### INVISIBLE IN THE SNA

#### SECTORS OF THE SNA SYSTEM

<table>
<thead>
<tr>
<th>TYPE OF INSTITUTIONAL UNIT</th>
<th>Nonfinancial corporations sector S.11</th>
<th>Financial corporations sector S.12</th>
<th>General government sector S.13</th>
<th>Households sector S.14</th>
<th>NPISH sector S.15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporations</td>
<td>C₁</td>
<td>C₂</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government units</td>
<td></td>
<td></td>
<td>G</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Households</td>
<td></td>
<td></td>
<td></td>
<td>H</td>
<td></td>
</tr>
<tr>
<td>Nonprofit institutions (NPIs+NPISH)</td>
<td>N₁</td>
<td>N₂</td>
<td>N₃</td>
<td></td>
<td>N₄</td>
</tr>
</tbody>
</table>
Why Measure the Third Sector?

- A huge economic force
- Crucial to policy/SDGs
“[Post-2015 agenda needs civil society] to serve as a participant, joint steward and powerful engine of change and transformation.’

But: “…institutions of civil society must have the capacity to carry out their critical, independent roles.”

“…volunteerism can be another powerful and cross-cutting means of implementation.”

EU Council:

- “...social economy [is]a key driver of social and economic development in Europe”

- “Eurostat and national statistical authorities should consider developing and implementing satellite accounts...aimed at establishing the effective contribution of the social economy to economic growth and social cohesion in the European Union.”

~ Council of the European Union, Council Conclusions: The promotion of the social economy as a key driver of economic and social development in Europe (7 December 2015), para. 19.
A STATISTICAL REVOLUTION: STEP 1

A research breakthrough: NPIs
A STATISTICAL REVOLUTION: STEP 1

Comparative Nonprofit Sector Project countries
Organizations

Private—institutionally separate from government

Non-profit-distributing

Self-governing

Noncompulsory

(a) Consensus definition of NPIs
Nonprofit Sector Revenue (41 countries) vs. 12 Largest Economies, 2012

<table>
<thead>
<tr>
<th>Country</th>
<th>Revenue (Billion USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>15,685</td>
</tr>
<tr>
<td>China</td>
<td>12,471</td>
</tr>
<tr>
<td>India</td>
<td>4,793</td>
</tr>
<tr>
<td>Japan</td>
<td>4,487</td>
</tr>
<tr>
<td>Nonprofit sector (41 countries)*</td>
<td>4,109</td>
</tr>
<tr>
<td>Russia</td>
<td>3,373</td>
</tr>
<tr>
<td>Germany</td>
<td>3,349</td>
</tr>
<tr>
<td>France</td>
<td>2,372</td>
</tr>
<tr>
<td>Brazil</td>
<td>2,366</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>2,333</td>
</tr>
<tr>
<td>Mexico</td>
<td>2,022</td>
</tr>
<tr>
<td>Italy</td>
<td>2,017</td>
</tr>
<tr>
<td>Korea, Republic of</td>
<td>1,540</td>
</tr>
</tbody>
</table>

Source: Johns Hopkins Center for Civil Society Studies (ccss.jhu.edu).
A STATISTICAL REVOLUTION: STEP 1—CNP PROJECT

(b) Documentation of NPI scale: workforce

NPI Workforce as a Share of Economically Active Population, by Country

<table>
<thead>
<tr>
<th>Country</th>
<th>Paid workers</th>
<th>Volunteers</th>
</tr>
</thead>
<tbody>
<tr>
<td>43-country average</td>
<td>3.3% 2.2%</td>
<td>5.5% 15.9%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>3.3% 2.2%</td>
<td>5.5% 15.9%</td>
</tr>
<tr>
<td>Belgium</td>
<td>10.1% 5.8%</td>
<td>13.1% 15.9%</td>
</tr>
<tr>
<td>Canada</td>
<td>9.7% 3.4%</td>
<td>12.3% 15.9%</td>
</tr>
<tr>
<td>Israel</td>
<td>9.0% 3.2%</td>
<td>11.8% 15.9%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>5.1% 5.8%</td>
<td>11.0% 15.9%</td>
</tr>
<tr>
<td>Ireland</td>
<td>8.6% 2.3%</td>
<td>10.9% 15.9%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>3.2% 6.4%</td>
<td>9.6% 15.9%</td>
</tr>
<tr>
<td>Sweden</td>
<td>2.5% 7.0%</td>
<td>9.6% 15.9%</td>
</tr>
<tr>
<td>United States</td>
<td>6.2% 3.0%</td>
<td>9.2% 15.9%</td>
</tr>
<tr>
<td>France</td>
<td>5.9% 3.1%</td>
<td>9.0% 15.9%</td>
</tr>
<tr>
<td>Australia</td>
<td>5.9% 2.9%</td>
<td>8.8% 15.9%</td>
</tr>
<tr>
<td>Denmark</td>
<td>4.9% 3.9%</td>
<td>8.8% 15.9%</td>
</tr>
<tr>
<td>Japan</td>
<td>6.4% 1.5%</td>
<td>8.0% 15.9%</td>
</tr>
<tr>
<td>Austria</td>
<td>2.2% 5.6%</td>
<td>7.8% 15.9%</td>
</tr>
<tr>
<td>Norway</td>
<td>2.8% 4.5%</td>
<td>7.3% 15.9%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>4.3% 2.6%</td>
<td>6.9% 15.9%</td>
</tr>
<tr>
<td>Germany</td>
<td>3.7% 3.0%</td>
<td>6.8% 15.9%</td>
</tr>
<tr>
<td>Argentina</td>
<td>3.2% 2.7%</td>
<td>5.9% 15.9%</td>
</tr>
<tr>
<td>Finland</td>
<td>2.6% 3.1%</td>
<td>5.7% 15.9%</td>
</tr>
<tr>
<td>Chile</td>
<td>2.6% 2.4%</td>
<td>5.0% 15.9%</td>
</tr>
<tr>
<td>Spain</td>
<td>2.8% 1.5%</td>
<td>4.3% 15.9%</td>
</tr>
<tr>
<td>Italy</td>
<td>2.4% 1.8%</td>
<td>4.3% 15.9%</td>
</tr>
</tbody>
</table>

Source: Johns Hopkins Center for Civil Society Studies (ccss.jhu.edu).
A STATISTICAL REVOLUTION: STEP 1—CNP PROJECT

(c) Importance of volunteer work

FTE Volunteers as Percent of NPI Workforce, 43-Country Average

- Volunteers: 44%
- Paid workers: 56%

Source: Johns Hopkins Center for Civil Society Studies (ccss.jhu.edu).
Global Civil Society: Dimensions of the Nonprofit Sector

Volume Two

Lester M. Salamon, S. Wojciech Sokolowski, and Associates
Published in association with the Johns Hopkins Comparative Nonprofit Sector Project
Official recognition


1. Calls for Satellite Account on NPIs
2. Utilizes JHU definition of NPIs
3. Incorporates value of volunteer work
4. Incorporates non-market output of mkt NPIs
Reinforcement of *NPI Handbook*

**Step 3: 2008 SNA/ISIC, Rev. 4**

1. Reinforced call for NPI Satellite Accounts
2. Urged subsectoring of institutional sector accounts into NPI and non-NPI components
3. Dedicated chapter on NPIs
4. Reinforced need for coverage of volunteer work
5. Improved classification of NPIs
A STATISTICAL REVOLUTION: STEP 4

Official embrace of the volunteer workforce

Manual on the measurement of volunteer work
A STATISTICAL REVOLUTION: STEP 4

Official embrace of the volunteer workforce


① Consensus definition of volunteer work
② Use of household surveys
③ Core survey module
④ Replacement cost valuation
⑤ 2013: 19th ICLS confirmation of volunteer work measurement
A STATISTICAL REVOLUTION: STEP 5

Tuning up the *NPI Handbook*

**Step 5 (under way):**
UN *NPI Handbook* Revision (2016)

① Incorporate 2008 SNA subsectoring directions
② Incorporate clarified “control by government” test
③ Add decision trees
④ New “Impact” chapter
Impact: Diverse meanings
A STATISTICAL REVOLUTION: STEP 5

Proposed Approach: Start w/ Desired Impact/ Compare providers

1. Identify target goal to advance a particular policy impact (e.g. SDG 4: “Ensure inclusive and equitable education for all…”) in a given time period.

2. Identify target outcomes to achieve this target goal (e.g. 200,000 children completing primary school with required skill set) and the outputs required to accomplish this.

3. Compute NPI share of output or resources in field (e.g. 21 percent of primary school students in NPI schools).

4. Determine actual outcomes and shares attributable to NPIs and other providers.

5. Compute ratio of share of actual outcomes to share of actual outputs/resources for NPIs and other providers and compare to determine relative effectiveness.
### A Statistical Revolution: Step 5

#### Measuring relative contributions of NPIs & other providers

Annual target toward SDG 4:
200,000 low income children graduating primary school with specified skills

<table>
<thead>
<tr>
<th>Factor</th>
<th>All schools</th>
<th>NPI schools</th>
<th>Other schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outputs (Enrollment)</td>
<td>1,500,000</td>
<td>315,000</td>
<td>1,185,000</td>
</tr>
<tr>
<td>Share of outputs</td>
<td>100%</td>
<td>21%</td>
<td>79%</td>
</tr>
<tr>
<td>Actual <strong>outcomes</strong> (Graduates w/skills)</td>
<td>175,000</td>
<td>46,375</td>
<td>128,625</td>
</tr>
<tr>
<td>Share of actual <strong>outcomes</strong> to share of actual outputs = relative success</td>
<td>1.00</td>
<td>1.29</td>
<td>.94</td>
</tr>
</tbody>
</table>
Step 6: From NPIs to third sector/social economy (TSE) sector

NPIs Not Alone

Other institutions/behaviors share common attributes:

- Individual or collective action outside of for-profit businesses, government, or households
- Creating value for persons other than solely oneself or one’s family
- Pursued voluntarily and without compulsion
4 identifiable “clusters” of potential TSE sector manifestations:

- Nonprofit institutions (NPIs)
- Cooperatives, mutuals (“social economy”)
- Social enterprises or social ventures
- Individual activity without pay (“volunteering,” “the public sphere,” or “civil society”)
**A STATISTICAL REVOLUTION: STEP 6**

“Invisible in plain sight” in official statistics

<table>
<thead>
<tr>
<th>TYPE OF INSTITUTIONAL UNIT</th>
<th>SECTORS OF THE SYSTEM</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-financial corporations S.11</td>
</tr>
<tr>
<td>Corporations</td>
<td><strong>NfC</strong></td>
</tr>
<tr>
<td>Government</td>
<td></td>
</tr>
<tr>
<td>Household</td>
<td></td>
</tr>
<tr>
<td>NPIs</td>
<td><strong>N_{S.11}</strong></td>
</tr>
<tr>
<td>Cooperatives/mutuals</td>
<td><strong>CM_{S.11}</strong></td>
</tr>
<tr>
<td>Social enterprises</td>
<td><strong>SE_{S.11}</strong></td>
</tr>
</tbody>
</table>
4 identifiable “clusters” of potential TSE sector manifestations:

- Nonprofit institutions (NPIs)
- Cooperatives, mutuals (“social economy”)
- Social enterprises or social ventures
- Individual activity without pay (“volunteering,” “the public sphere,” or “civil society”)

Sectoral blurring—Not all entities in these clusters may be in-scope of the TSE sector
A STATISTICAL REVOLUTION: STEP 6

Conceptualizing the TSE sector

TSE SECTOR

NPIs

COOPERATIVES & MUTUALS

SOCIAL VENTURES

ACTIVITY WITHOUT PAY

households

households

corporations

corporations

government

cooperatives & mutuals

social ventures
Two Sets of Defining Features

① For ORGANIZATIONAL components of TSE sector

② For HOUSEHOLD SECTOR components of TSE sector
A STATISTICAL REVOLUTION: STEP 6

TSE sector defining features 1

Organizational Components

① Organizations, formal or informal

② Private, i.e., institutionally separate from, and not controlled by, gov’t

③ Self-governing, capable of acting on own authority

④ Voluntary, i.e., without compulsion

⑤ Significantly limited from distributing profits
“Limited Profit Distribution” means

1. Full prohibition on distribution of profit, or

2. If distribution of profit permitted, must be:
   - Legally binding social mission +
   - 50% limit on profit distribution +
   - Legally binding “capital lock,” + either:
     - Employ or serve certain % of those with “special needs,” OR
     - No profit distribution in relation to capital invested or fees paid
TSE sector defining features 2

Household Sector Activity

① Activity primarily for benefit of *others*, not self
② Carried on for a meaningful *period of time*
③ *Not-for-Pay* (reimbursement of expenses OK)
④ Only for persons *outside one’s household + next of kin*
⑤ Noncompulsory
## A STATISTICAL REVOLUTION: STEP 7

From design to implementation

<table>
<thead>
<tr>
<th>Belgium*</th>
<th>Australia*</th>
<th>France</th>
<th>Hungary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
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<td>Germany</td>
<td>Peru</td>
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<td>India</td>
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<td>Israel*</td>
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<td>Kyrgyzstan</td>
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<td>New Zealand*</td>
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<td>Philippines*</td>
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<td>Portugal</td>
<td>Sweden*</td>
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<td></td>
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<tr>
<td>Thailand*</td>
<td>USA*</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### KEY

- NPI Handbook and ILO Manual (7)
- NPI Handbook + some volunteer measurement (15)
- NPI Handbook only (5)
- ILO Manual only (3)

* multiple NPI satellite accounts

**Italics = work in progress**
A STATISTICAL REVOLUTION: STEP 7

NPI Satellite Accounts
Civil society is crucial for SDGs and development generally.

Modern welfare states are really “welfare partnerships,” relying heavily on third-sector groups.

But half of this partnership is invisible.
CONCLUSION

Plentiful data on TSE sector in SNA statistics, BUT:

- Major in-scope entities buried in other sectors
- Some units are missing
- Volunteering out of bounds or valued at cost
- Blurring among in-scope entities
To make SDGs and these partnerships work better, better data on civil society are needed.

We have built the statistical machinery to secure such data.

We need Statistical Agency help to get this machinery implemented.
THANKS!!!

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